



Dannel P. Malloy

GOVERNOR
STATE OF CONNECTICUT

Dear Mayors, First Selectmen, and Local Leaders:

Coming out of another historic storm, as we continue to work together to clear our roads, I'm writing in the hope that we can also work together to clear the way for sensible, smart policy changes. Changes that preserve our most fundamental responsibilities to our citizens, and that ease the burden on our middle class.

In that spirit, I'd like to clarify some of the misconceptions I've heard about my biennial budget proposal and how it might impact your local budget. Before I get into the details, let me say a couple of things up front.

My budget is focused on the following priorities: growing jobs, investing in education, and *finding ways to provide tangible relief to our middle class*, including relieving them of the most hated and unfair tax in Connecticut – the car tax – and by reinstating the sales tax exemption for some clothing.

My plan also sends at least the same amount of state dollars to cities and towns as they currently receive. It's true that aid comes in different ways, which will necessitate adjustments on your end. *But at a time when states across the country are decimating local aid, no city or town in Connecticut will receive less total funding from the state than it did last year, and many will receive more.*

To do all that without raising taxes, my plan also contains more than \$1.8 billion in savings from the state's current services. That's \$1.8 billion worth of tough decisions about how Connecticut serves its residents.

This is a tough budget, built for tough times. Connecticut is making hard decisions and setting priorities in order to live within its means. *I understand that cities and towns will need to make their own hard decisions.* We're all public servants, but we're also citizens and taxpayers; we can hopefully agree that all levels of government must change with the times, find savings, and operate efficiently.

Now, I'd like to respond specifically to some of those misconceptions I mentioned.

"Exempting car taxes is nothing but a huge cut to local revenue."

At a time when hardworking Connecticut families continue to struggle, it is incumbent upon their government – state and local – to find ways to help them. *This is tax relief for your constituents and mine – families who are middle class, working class and working poor.* I understand adjustments will need to be made locally, but I strongly believe we should stand with them and find ways to make this work.

A few additional points:

First, my car tax proposal does not take any money out of the aid that the state sends towns. It simply says that money that's already raised locally, from your constituents, has to be done in a fairer way.

Second, eliminating the tax on cars under \$20,000 in assessed value will eliminate much of the aggravation and paperwork from your local tax assessment and collections operation. The savings will vary in each community, but they are substantial, not only in dollars but in frustration by local taxpayers.

Third, despite their best efforts, most communities are fortunate if they collect 90 percent of car taxes. Factoring in the cost of collecting and the number of tax delinquents, the car tax makes up a small portion of the tax base in most communities – between 2 and 10 percent. Communities have a number of options available to them to make up for this, including spending cuts. I encourage your administrations to review your grand list, your anticipated budget requirements, and your tax system and undertake a detailed analysis of how this exemption will impact the taxpayers in your community.

Overall, Connecticut residents will benefit from this change, but local officials need to evaluate the specific impacts in their town.

“Combining the State Property PILOT into the ECS grant means that cities and towns must cut spending for municipal functions and increase spending even more for local schools.”

This is not true. The law that governs how much money local governments must spend on their school systems is called the Minimum Budget Requirement (MBR). *The MBR provision in my proposal specifically exempts the reallocated PILOT funds from the MBR.*

For example, Waterbury received approximately \$4 million in State Property PILOT in FY 2013. In FY 14, I have proposed that they receive \$128 million in ECS – an additional \$10 million – consisting of \$4 million from PILOT plus an additional \$6 million from the formula changes in the ECS grant. The MBR will require that they spend the \$6 million on schools, but not the \$4 million from the PILOT.

So why do it? *I firmly believe that our first obligation must be funding public education.* By putting PILOT into ECS, the state is sending a clear signal about our priorities, while still leaving flexibility for local leaders when it comes to the final decision on how money is spent.

“The Conditional Funding requirements for Alliance Districts means the new ECS money goes directly to school boards, so that the PILOT funds can’t be used for paying police and firefighters.”

This is not true. The requirements for Alliance districts to receive their additional ECS funding ensures that towns are spending their ECS money in a way that addresses student achievement. They do *not* impact how much funding is available for schools overall. That is determined by the MBR (see above).

“Converting the Pequot grant to LoCIP means that none of those funds will be available for the local operating budget.”

This is not true. We have made LoCIP funds more flexible, so that local governments can apply some or all of the capital equipment and technology purchases they routinely make out of their operating budgets to their LoCIP allocation. These include snow removal equipment, regional initiatives, education technology, and school safety.

Moreover, the proposal would allow municipalities to seek reimbursement in 2014 for these eligible expenses that were incurred in 2013. These are significant changes that, if applied, will grant substantial flexibility to LoCIP recipients.

In closing, let me say this – I walked in your shoes for 14 years as the Mayor of Stamford. I understand exactly what pressures you are under, and what demands you face. I understand that change is hard. But I’m asking you to partner with me to find ways to make change possible, including giving our middle class a much-deserved break.

I look forward to partnering with you in that effort.

Sincerely,



Governor Dannel P. Malloy